

Message Text

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ACTION EB-07

INFO OCT-01 AF-10 EA-07 NEA-10 ISO-00 ERDA-05 AID-05

CEA-01 CIAE-00 COME-00 EPG-02 DODE-00 FEAE-00

FPC-01 H-01 INR-07 INT-05 L-03 NSAE-00 NSC-05

OMB-01 PM-04 USIA-06 OES-07 SP-02 SS-15 STR-04

TRSE-00 ACDA-07 IGA-02 /118 W

-----171908Z 037396 /41

R 170950Z MAY 77

FM AMEMBASSY JAKARTA

TO SECSTATE WASHDC 1127

INFO AMEMBASSY ALGIERS

AMEMBASSY ABU DHABI

AMCONSUL DHAHRAN

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY KUALA LUMPUR

AMEMBASSY LAGOS

AMCONSUL MEDAN

AMEMBASSY SINGAPORE

AMCONSUL SURABAYA

AMEMBASSY TEHRAN

AMEMBASSY TOKYO

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E.O. 11652: NA

TAGS: ENRG, ID

SUBJECT: INDONESIAN LNG PROJECTS

1. INDONESIA IS ABOUT TO BECOME MAJOR EXPORTER OF LIQUEFIED NATURAL GAS. FIRST SHIPMENTS OF LNG FROM \$700 MILLION BADAK FACILITY (ROY M. HUFFINGTON, INC./PERTAMINA) IN EAST KALIMANTAN TO JAPAN ARE NOW ESTIMATE FOR LATE JULY. INITIAL DELIVERIES FROM TWO TRAINS WILL BE ABOUT 500 MMSCF/DAY. COMPLETION OF INITIAL PHASE OF \$950 MILLION ARUN PROJECT (MOBIL/PERTAMINA)
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IN NORTH SUMATRA WILL OCCUR WITH SHIPMENTS OF CONDENSATE GAS (ABOUT 12,000 B/D) O/A OCTOBER 1977. COMPLETION ARUN'S FIRST LNG TRAIN NOW TENTATIVELY SET FOR MID-1978. FIRST THREE TRAINS ARE DEDICATED TO JAPAN WITH TRAINS 4-6 TARGETED FOR WEST COAST REQUIREMENTS PENDING FAVORABLE FPC APPROVAL OF PACIFIC LIGHTING'S APPLICATIONS
IMPORT GAS. TOTAL CUMULATIVE LNG EXPORT EARNINGS FROM

BOTH ARUN AND BADAK OVER LIFE OF PROJECTS (1977-1999) EXPECTED TO ADD \$7.9 BILLION IN NET REVENUES, THUS EVENTUALLY MAKING GAS INDONESIA'S MOST IMPORTANT HYDRO-CARBON RESOURCE.

2. MECHANICAL START UP OF BADAK PLANT IS CURRENTLY UNDERWAY. TESTING OF MCR LIQUEFACTION COMPRESSORS, LARGEST IN WOULD, BEGAN IN EARLY MAY WITH TESTING SCHEDULED FOR COMPLETION MAY 18. IF THIS MILESTONE PASSED SUCCESSFULLY, HUFFCO PREDICTS FIRST DELIVERIES WILL BE ON SCHEDULE. THERE IS CONCERN, HOWEVER, THAT THIS TARGET DATE MAY NOT BE ACHIEVED, THUS CAUSING OVERALL PLANT START-UP TO SLIP. PERTAMINA ISSUED STATEMENT LAST WEEK INDICATING "WE HAVE ENCOUNTERED NO SIGNIFICANT PROBLEMS AT THIS POINT IN TIME." STATEMENT NOTES, HOWEVER, THAT "THERE ARE STILL A NUMBER OF THINGS TO BE ACCOMPLISHED WHICH HAVE NEVER BEEN DONE BEFORE." THIS REFERS TO SIZE OF COMPRESSOR AND FACT THAT SIMILAR BUT SMALLER COMPRESSOR AT IRAN'S DAS ISLAND LNG PROJECT TOOK SIX MONTHS TO COME ON LINE.

3. TIMING OF BADAK START UP WILL HAVE DIRECT IMPACT ON TRANSPORTATION ARRANGEMENTS BETWEEN PERTAMINA, BURMAH TANKERS AND JAPANESE UTILITY COMPANIES. SLIPPAGE FROM ORIGINAL MARCH DATE TO PRESENT JULY TARGET HAS ALREADY MADE GOTAAS LARSEN ("SUBSTITUTE FOR SUBSTITUTE") VESSEL SUPERFLUOUS. GL TANKER WILL BE AVAILABLE JUNE 1 WHILE FIRST GENERAL DYNAMICS VESSEL, EASCO I, COULD BE POSITIONED AT BONTANG TERMINAL O/A JULY 17. PERTAMINA LIMITED OFFICIAL USE

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AND BURMAH CURRENTLY DISCUSSING WHO WILL PAY FOR VESSEL NOT NEEDED. PERTAMINA'S CONTRACT CALLS FOR PAYMENT OF \$47,000/DAY FOR USE OF GOTASS LARSEN SHIP AS OF JUNE 1. IF FURTHER DALAY OCCURES, LEIF HOEGH SHIP, WHICH IS DUE TO BEGIN SERVICE AUGUST 1, MAY BE CANCELLED FOR SAME REASONS.

4. BURMAH HAS ALSO READJUSTED ITS FREIGHT RATES UPWARD IN LIGHT OF HIGHER THAN ANTICIPATED OPERATING COSTS. WHILE THIS CONTINGENCY IS APPARENTLY SPELLED OUT IN TRANSPORTATION AGREEMENT, JAPANESE BUYERS'S APPROVAL REQUIRED. (BASE RATE OF \$.36/MMBTU REMAINS SAME BUT VARIABLE OPERATING COST IS ADJUSTED TO MEET HIGHER 1977 FUEL AND OPERATING COSTS.) REVISED FREIGHT RATE FROM BONTANG TO YOKAHAMA IS \$9.49/CU. METER OR ABOUT \$.42/MMBTU. BURMAH IS MEETING MAY 23 WITH JAPANESE IN TOKYO TO PRESENT REVISED FIGURES FOR APPROVAL.
NEWSOM

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